



RESEARCH REPORT

EVALUATION OF CMHC ON-RESERVE HOUSING PROGRAMS

SUMMARY REPORT



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Program Evaluation Division

Canada Mortgage and Housing Corporation

May 1987

**Ce rapport est aussi disponible en français auprès de la Division de
l'évaluation de programme**

EXECUTIVE SUMMARY

The main purpose of this evaluation is to assess the performance of CMHC on-reserve programs in achieving their individual program objectives and in providing overall support to Indian and Northern Affairs Canada (INAC). The evaluation findings and alternatives developed in this study are intended to guide future efforts to review and develop Indian housing policy and programs and are not to be construed as recommendations for immediate action.

The evaluation relies mainly on data from a major survey of on-reserve dwellings conducted in 1984 in conjunction with INAC. Information was also obtained from CMHC field offices, administrative files and related documents.

An important input to the study was derived from consultations with Indian housing groups across Canada held to receive comments on preliminary evaluation findings and to solicit recommendations for change. These consultations were conducted by the National Indian Housing Council, Assembly of First Nations, with funding support from CMHC.

Evaluation Findings

While there has been some improvement in housing conditions on reserves since 1977, there continue to be severe problems of crowding, poor physical house conditions and lack of basic amenities. Given the extent of housing problems, the low incomes of on-reserve households and the absence of a functioning housing market on reserves, it is evident that continued federal assistance is required. Moreover, simulations of the on-reserve housing stock indicate that problems will persist on reserves at least to the year 2010.

Although assistance is clearly required, the rationale for the provision of housing subsidies through two federal agencies is less evident. This is because coordination problems arise between the agencies and because bands must deal with two agencies on housing matters. During the course of the evaluation, Indian housing groups have indicated a preference for the consolidation of housing programs at INAC. However, continued CMHC involvement in lending and the provision of technical services may be justified on efficiency grounds.

The findings of this study indicate that CMHC has provided substantial support to INAC in its efforts to improve Indian housing conditions. The performance of the individual CMHC programs, however, has been mixed:

- o The Section 56.1 program for rental housing on reserves has achieved its objectives related to the provision of modest housing and targeting to low and moderate income households. However, the program has not fully succeeded in providing appropriate, uncrowded housing and is not utilized in proportion to the relative needs of bands.
- o While the Residential Rehabilitation Assistance Program has been less than successful in achieving its objectives on reserves, the program has had positive effects on the amount of outstanding renovations required and the provision of basic amenities. Further, the evidence indicates that units renovated using RRAP funds are in better condition than units receiving only the INAC renovation grant.
- o The direct lending and insured lending programs have been successful in achieving their objectives on reserves. Increased participation of private lenders in financing Section 56.1 projects can be attributed to the "double protection" provided by the INAC Ministerial Guarantee and NHA insurance.

Alternatives

Although CMHC programs have generally performed well on reserves, the evaluation suggests areas where improvements could be effected. With regard to organizational arrangements, a wide variety of roles for INAC, the Bands and CMHC is possible. This evaluation examined only a limited number of alternatives arising from the evaluation findings. The findings indicate that problems of funding coordination are associated with the status quo. An alternative whereby INAC alone would administer all housing programs and services on reserves and one with INAC operating subsidy programs and CMHC providing loans and technical services have also been reviewed. The assessments of these delivery arrangements are intended to provide input to an overall review of a broad range of alternatives.

The evaluation findings also suggest certain initiatives and modifications to existing programs which could result in improved efficiency and effectiveness:

- o efforts to improve the take-up of CMHC assistance in accordance with appropriate indicators of housing need are required; for Section 56.1, this could be encouraged by promoting the use of Project Development Funding for bands lacking the housing expertise needed to participate in the program;

- o while Section 56.1 units are of higher quality than other new housing built on reserves, ways to reduce subsidy costs should be investigated;
- o examination of ways to halt the deterioration of Section 56.1 units is required;
- o to avoid cases of partial rehabilitation, increased loan forgiveness levels (subsidies) and the promotion of RRAP repayable loans in conjunction with INAC shelter allowance payments for welfare recipients should be considered;
- o RRAP standards, which specify acceptable levels of repair and amenities, should be considered for all subsidized renovation work on reserves;
- o the need for loan insurance on reserves should be reviewed given that the INAC Ministerial Guarantee provides the basic security for on-reserve loans;
- o increased private lending to individuals on reserves, as has occurred in Quebec, should be encouraged;
- o initiatives to increase client involvement in housing design and construction should be considered along with greater client counselling on maintenance and repairs.

These initiatives and program modifications arising from the evaluation are intended as input for further consideration in an overall review of housing policy and programs on reserves.

1.0 INTRODUCTION

The present on-reserve housing policy of the federal government was announced in September, 1977. Under this approach, CMHC was directed to support Indian and Northern Affairs Canada by making funds and technical expertise available through various sections of the National Housing Act. Although INAC has overall responsibility for housing policy and programs on reserves, both agencies administer different programs with each agency assuming responsibility for its own initiatives.

1.1 Housing Programs On Reserves

CMHC's on-reserve housing programs and the Sections of the National Housing Act which provide the authority for their operation are as follows:

- o Non-Profit Housing (Section 56.1);
 - provides ongoing subsidies in the form of an interest write-down for the development and operation of band-owned non-profit rental housing.
- o Residential Rehabilitation Assistance Program (RRAP) (Section 34.1);
 - offers assistance in the form of a forgivable loan for the repair and improvement of existing housing; a repayable loan is also available.
- o Direct Lending (Section 59);
 - CMHC provides financing for the construction of individually owned and band owned housing.
- o Insured Lending (Section 6);
 - CMHC provides mortgage insurance to facilitate private lending to individuals and bands.

The INAC On-Reserve Housing Program provides capital grants for new construction and renovation. These subsidies are often combined with those provided by the CMHC programs. In addition, INAC provides Ministerial Guarantees for housing loans on reserves.

1.2 Purpose of the Study

The main purpose of this evaluation has been to assess the performance of CMHC programs operating on reserves in achieving their individual objectives and in providing overall support to INAC. In addition, the need for housing programs on reserves and the rationale for continued CMHC involvement in the provision of housing assistance and expertise has been assessed. The evaluation has also examined other impacts and effects of the CMHC on-reserve programs as well as their cost-

effectiveness in relation to INAC programs. Alternative roles for CMHC and INAC are assessed and suggestions for program modifications are identified for consideration in future efforts to review and develop Indian housing policy and programs.

This summary report provides a concise presentation of the results of the evaluation study¹. Evaluation findings are outlined and the implications of these findings for alternative roles for CMHC and INAC and for program modifications and initiatives are presented. The alternatives put forth here are not recommendations for immediate action. Rather, they are intended to contribute to an in-depth review of Indian housing policy and programs.

1. The detailed analysis and results can be found in the technical background report; Evaluation of CMHC On-Reserve Housing Programs, Program Evaluation Division, CMHC, August, 1986.

2.0 EVALUATION FINDINGS

2.1 Program Rationale

Examination of the rationale for CMHC housing programs on reserves addresses two key issues: the continuing need for housing assistance in general and for CMHC involvement in particular.

There is a continuing need for housing assistance on reserves

While there has been some improvement in housing conditions on reserves since 1977, there continue to be severe problems of crowding, poor physical house conditions and lack of basic amenities:

- 36 per cent of on-reserve units are crowded as opposed to 2.3 per cent in Canada as a whole;
- 43 per cent of housing units are in need of major repair as opposed to 13 per cent throughout Canada;
- 40 per cent do not have access to running water, indoor toilet or bathing facilities as opposed to only one per cent across Canada.

Given the extent of housing problems, the low income of on-reserve households and the absence of a functioning housing market on reserves, it is clear that continued federal assistance is required.

The rationale for CMHC involvement in on-reserve subsidy programs is less clear

The provision of financial assistance through two different agencies can create problems of coordination or inefficiency. About one-half of the bands interviewed identified funding coordination as ineffective. Provision of subsidies through a single agency would reduce coordination problems noted by INAC and CMHC field staff and would simplify matters for bands. Further, consultations with Indian housing groups indicated support for the consolidation of all housing programs at INAC.

Continued CMHC involvement in lending and the provision of technical services may be justified on efficiency grounds

Examination of the rationale for CMHC involvement indicates that the Corporation would provide lending and technical services more efficiently than INAC. Because CMHC conducts lending operations and provides technical services off reserves as well,

scale economics are achieved and well developed administration systems and authorities are already in place.

Housing problems on reserves are likely to persist until the year 2010

The evaluation also examined the issue of program effort: that is, are too few resources devoted to the programs to have a significant impact on the problems they are intended to solve. To address this question, a detailed model of the structure and behaviour of the on-reserve housing stock was developed. Simulations of the model determined that, at current resource levels, the INAC and CMHC programs would relieve crowding problems in about 20 years but housing condition problems would still be greater in the year 2010 than experienced by the general Canadian population in 1982.

2.2 Objectives Achievement

2.2.1 Section 56.1 Non-Profit Housing Program

The Section 56.1 program has been successful in achieving its objectives related to the provision of modest housing and targeting to low and moderate income households. However, the program has been less than successful in providing appropriate housing and is not utilized in proportion to need. The evaluation findings are as follows:

The Section 56.1 Non-Profit Program is providing modest, affordable accommodation for low and moderate income households

The Section 56.1 program is well targeted to low and moderate income households given the extremely low incomes on reserves in relation to the rest of Canada. Also, the housing provided is modest: Section 56.1 units on reserves are rarely committed over the Maximum Unit Prices which are in place to control the capital costs of units.

The Section 56.1 program is providing appropriate housing in terms of basic amenities, unit size and occupant satisfaction

The program produces appropriate housing as evidenced by the presence of basic amenities, the provision of larger units relative to other recent housing built on reserves and the satisfaction of occupants with their dwellings. It is clear that Section 56.1 housing is of better quality and condition than housing built without Section 56.1 assistance.

Section 56.1 units are experiencing rapid deterioration

Although Section 56.1 units are in better physical condition than other recent on-reserve housing, they are nevertheless experiencing rapid deterioration relative to off-reserve units. One-fifth of Section 56.1 units on reserves were found to be in need of major repair. This represents a high incidence of major repairs given that these units are 6 or less years old. In contrast, only 8 per cent of Section 56.1 units off reserves were found to be in need of major repair and these were more likely to be existing units that were purchased rather than new units which had deteriorated.

A relatively large proportion of Section 56.1 units are crowded

Another aspect of the objective of providing appropriate housing that is not being achieved is the provision of uncrowded housing. Thirty per cent of Section 56.1 units are crowded, about the same proportion as that for other on-reserve housing. However, crowding is a problem which only the provision of additional adequate units can solve.

Section 56.1 units have not been taken up by bands on the basis of need

Commitments of Section 56.1 units across regions or bands do not reflect the need for new housing based on indicators of crowding. Ontario accounts for 22 per cent of all crowded households on reserves but has received less than 10 per cent of Section 56.1 units since 1981. In contrast, British Columbia has received 28 per cent of Section 56.1 units since 1981 but accounts for only 17 per cent of crowded households. However, since full take up of Section 56.1 units is only expected to occur in 1986, the matching of take up to need is more relevant to future commitments than it has been in the past.

2.2.2 Residential Rehabilitation Assistance Program (RRAP)

While RRAP has been less than successful in achieving its objectives on reserves, the program has had positive effects on the amount of outstanding renovations required and the provision of basic amenities. Further, the evidence indicates that units renovated using RRAP funds are in better condition than units receiving only the INAC renovation grant. The findings are as follows:

RRAP has performed well in providing assistance to households on the basis of need

There is little doubt that those who have received RRAP on reserves are in need. Two-thirds of all on-reserve households have incomes of \$10,000 or less and RRAP recipients on reserves are two times more likely to earn \$10,000 or less than off-reserve RRAP clients.

RRAP is not taken up by bands on the basis of need

Overall, there is no difference in need for repair between bands which have used RRAP and those which have not. However, targeting to need is very poor in Manitoba and Saskatchewan where the need for repair is much higher for bands not using RRAP than for bands which received RRAP funds.

RRAP has not been successful in achieving its housing quality objective on reserves

Objectives concerning improved housing, health and safety, extension of the useful life of buildings and promotion of maintenance practices have not been met:

- on average, each RRAP unit on reserves has 7 items which do not meet standards of housing quality;
- health hazards persist in 82 per cent and safety hazards in three-quarters of RRAP units;
- threats to useful life of the dwellings exist in 85 per cent of RRAP units;
- no evidence was found that RRAP led to improved housing maintenance practices by households which had used the program.

RRAP has been successful in ameliorating on-reserve housing conditions

While RRAP has not achieved its housing quality objectives on reserves, it has had positive effects on reducing the amount of outstanding renovation required and on the provision of basic amenities. In comparison to units which received only the INAC renovation grant, RRAP units:

- had fewer substandard items (features of the dwelling that did not meet standards of housing quality);

- were more likely to have basic amenities (running water, bath or shower, toilet);
- had fewer health and safety hazards;
- had occupants who were more involved in housing matters and were more satisfied with their dwelling.

The higher quality of units which received RRAP on reserves suggests that the extension of RRAP standards to all renovation work should be considered.

2.2.3 Lending Programs

The direct and insured lending programs have generally been successful in achieving their objectives on reserves although the availability of INAC Ministerial Guarantees for all on-reserve loans plays a key role.

A greatly increased role for private lenders in financing Section 56.1 units has been achieved

Between 1979 and 1984 the percentage of Section 56.1 units financed with private capital increased from 30 per cent to 90 per cent. Thus, the objective of encouraging private lending activity on reserves, thereby reducing government capital requirements, has been achieved. The success of the insured lending program can be attributed to the "double protection" provided by the INAC Ministerial Guarantee which provides the basic security for the loan, and NHA insurance. At the same time, the role of direct lending (Section 59) has been reduced to a residual component for on-reserve Section 56.1 units. Very little lending to individuals occurs on reserves, either directly or by private lenders.

2.2.4 Support for INAC

CMHC has met the overall objective of its involvement on reserves: that is, to support INAC housing initiatives. However, problems do exist with respect to funding coordination and CMHC has provided little financial support through its Project Development Funding program to achieve an increased role for bands.

CMHC has provided considerable support for INAC housing initiatives on reserves

Since 1979, when the Corporation became extensively involved in on-reserve housing, CMHC has supported INAC in achieving the objectives of its On-Reserve Housing Program by:

- o providing financial subsidies under Section 56.1 and RRAP;
- o increasing the role of bands;
- o undertaking direct delivery of RRAP where necessary.

Some problems exist with regard to funding coordination

Achievement of the INAC objective of funding coordination has been affected by the different planning periods (fiscal years) used by the two agencies and by the slowness of the Ministerial Guarantee process.

Take-up of CMHC's Project Development Funding (PDF) program has been limited

Limited take-up of PDF funds has occurred partly because INAC provides similar funding to cover band costs for financial and technical assistance and partly due to lack of promotion of the program by CMHC. However, the amount of funding provided by INAC is not large and bands have indicated a desire for increased funding of this type.

2.3 Impacts and Effects

In addition to the achievement of objectives, CMHC programs have had other impacts and effects on overall housing quality, on managerial expertise and construction skills and on economic development on reserves. Analysis also indicates that individual involvement in housing matters is associated with better housing condition.

Section 56.1 assistance has had a positive effect on housing quality at the band level

Although the independent effects of CMHC programs on housing quality are difficult to measure, the evidence suggests that bands which received more Section 56.1 funding per capita have experienced larger increases in housing quality between 1977 and 1984. It appears that Section 56.1 assistance, in addition to the INAC new construction capital grant, is required to reach the funding threshold which permits the construction of good quality housing.

CMHC programs have probably had a positive effect on the managerial expertise of bands and the technical skills of their members

Although data with which to provide quantitative evidence are unavailable, it is likely that the nature of CMHC programs impacts positively on band management and technical skills. The Section 56.1 program requires extensive band planning and

management and makes funds available for project development (PDF). Also, RRAP is often delivered by bands. Both programs have provided opportunities for band members to work on housing projects and thereby acquire technical skills.

Overall, the trend is toward greater band involvement in all aspects of housing delivery and management although the evidence suggests that a great deal of variability in managerial skills exists between bands.

CMHC programs have had a significant economic development impact on reserves

Based on the relationship between band perceptions of economic impact and program funding levels, both CMHC and INAC housing programs have had an important effect on economic development on reserves. Although the effect of INAC programs may be marginally stronger than that of CMHC, there is no statistically significant difference between the number of job-weeks or employment created per \$1,000 of funding from the two agencies.

Individual involvement in housing matters is closely associated with better housing

Involvement in the design and construction of one's house and household responsibility for repairs were found to have a positive effect on house conditions. This suggests that encouraging involvement/responsibility by individuals in certain aspects of housing may lead to improved house conditions.

3.0 ALTERNATIVES

The evaluation findings indicate that alternative organizational arrangements as well as program modifications may improve the effectiveness and efficiency of on-reserve housing initiatives. In this section, alternative roles for INAC and CMHC in the delivery of on-reserve housing programs are assessed. Certain program modifications and initiatives suggested by the evaluation findings are also identified.

It should be emphasized that the alternatives put forth here are intended to guide future efforts to review and develop Indian housing policy and programs and should not be considered as recommendations for immediate action.

3.1 Role of INAC and CMHC

Alternative roles for INAC and CMHC in the delivery and administration of on-reserve housing programs are considered in the context of current initiatives to achieve Indian self-government through constitutional amendment or through other procedures such as amendments to the Indian Act. However, since the process of achieving self-government may be lengthy, alternative organizational arrangements to facilitate the delivery of housing programs should be considered. The alternative identified here are to be viewed as interim arrangements with the eventual administration of housing funds and programs on reserves to be conducted by the bands themselves. Three alternative roles for INAC and CMHC in the administration and delivery of on-reserve housing programs are considered:

- Status Quo: INAC and CMHC continue to administer/deliver each department's programs with INAC having the lead role.
- INAC only: INAC administers all housing programs with no CMHC participation either in delivery or in the provision of loans or technical services.
- INAC with limited CMHC involvement: INAC administers/delivers all subsidy funds/programs with CMHC continuing to provide direct loans, loan insurance and technical services on a fee-for-service basis.

Examination of the Status-Quo alternative revealed that bands find it difficult to deal with two different agencies on housing matters and that coordination problems between the agencies are evident. Consultations with Indian groups also revealed a preference for all on-reserve housing programs to be administered by INAC in the short term but only after an in-depth review of housing policies and programs is undertaken.

The second alternative (INAC only) would meet the requirement that bands deal with only one agency but may be difficult and costly to achieve. This is because INAC would need to acquire authorities and set up systems to conduct lending operations and on-going subsidy operations for a low volume of activity. CMHC conducts these activities off reserves as well so that scale economies are achieved and well developed administration systems are already in place.

The third alternative would have INAC administering all subsidy programs with CMHC retaining the lending function and providing technical services as required on a fee-for-service basis. This would address some of the difficulties INAC would encounter in taking over all CMHC activities on reserves but bands would still be required to deal with two agencies: INAC for subsidy programs and CMHC for loans and technical services. Further, CMHC would be in the position of dealing with bands on certain aspects of program delivery (e.g., loans, inspections, approval of advances, plans review, etc.) without the ability to alter program policies or procedures in response to program problems.

Further investigation of the third alternative could identify ways to reduce or eliminate CMHC involvement in program delivery while permitting the Corporation to continue to conduct the lending function and to provide technical services as required. For example, consideration could be given to: removing the requirement for Section 6 loan insurance on loans secured by a Ministerial Guarantee; having INAC act as an agent for CMHC in direct lending on reserves; and dealing directly with INAC in the provision of technical services with INAC dealing directly with bands.

Finally, the organizational alternatives considered here stem from the evaluation findings. It is evident that a much broader range of alternatives for the administration of housing assistance and services on reserves could be assessed. The limited alternatives examined in this evaluation are intended to provide input to a broader review of Indian housing policies and programs.

3.2 Program Modifications

As indicated above, there is a need for a comprehensive review of Indian housing policy/programs apart from this evaluation of CMHC's on-reserve housing programs. The evaluation findings suggest modifications to the on-reserve programs which could be considered for in-depth examination in such a review.

3.2.1 Section 56.1 Non-Profit Housing

While the Section 56.1 program has succeeded in achieving some of its objectives on reserves, the evaluation findings suggest areas where changes could improve program effectiveness.

a) Take-up of Units on Basis of Need

Commitments of Section 56.1 units across regions do not reflect the need for new housing based on indicators of crowding. Increased attention to crowding indicators as a basis for new unit commitments would assist in directing housing assistance to areas in proportion to the need which exists.

It must be recognized, however, that commitments of Section 56.1 units based on crowding may not be feasible if those bands with severe crowding problems do not have the expertise to initiate and operate Section 56.1 projects. Thus, while units may be made available or allocated to regions and bands on the basis of need, they are often not taken up by bands in proportion to the need experienced. The evaluation findings indicate that Section 56.1 is used more by urban bands, larger bands and bands which take more responsibility in housing matters. At the same time, very little use has been made of the Project Development Funding program by bands. Indian housing groups have also expressed the need for increased training in housing development and management¹.

These findings suggest that improved utilization of Section 56.1 units on the basis of need could be realized if greater use of PDF is encouraged for bands lacking housing expertise to assist them in the development of Section 56.1 projects. Increased training in housing project management would assist such bands to successfully operate Section 56.1 projects.

While such initiatives may improve the consistency of program take-up with need, it is unlikely that an exact matching of units with need can be achieved. This is because some bands may be unwilling to participate in the Section 56.1 program for reasons unrelated to housing expertise. For example, some bands wish to deal only with INAC on housing matters while others are opposed to loan programs on principle.

¹ National Indian Housing Council, Indian Participation and Consultation in the Review of the Summary Report of the CMHC On-Reserve Housing Program Evaluation, Report submitted to CMHC, May, 1986.

b) Improved Cost-Effectiveness

An examination of program costs in relation to effectiveness revealed that Section 56.1 units are less cost-effective than housing built with only the INAC capital grant. This conclusion was reached taking into account the better physical condition and longer life expectancy of the units and the higher satisfaction of Section 56.1 occupants with their housing. Although INAC-only new construction units are of lesser quality, they have lower subsidy costs per year of useful life provided than Section 56.1 units. INAC units are subsidized with an up-front capital grant. Section 56.1 units receive a smaller capital grant from INAC but also receive an on-going subsidy from CMHC in the form of an interest write-down to 2 per cent. Thus, the total subsidy on a Section 56.1 unit, when discounted to present value terms, is much higher than that for an INAC-only unit. However, the much larger Section 56.1 subsidy provides an estimated average useful life of only 21.5 years¹ while the lower-cost INAC-only unit provides an average useful life of 16.2 years.

One possible explanation for the higher-cost effectiveness of INAC-only subsidized units is that band members are contributing greater amounts of equity, in the form of capital and/or labour, to improve the quality of their housing over and above what could be achieved with the INAC capital grant. In contrast, the much deeper Section 56.1 subsidy and the availability of loan funds to cover construction costs may act as a disincentive to greater equity contribution. While evidence to support this explanation is not available, the cost-effectiveness analysis suggests that ways to reduce the subsidy costs of Section 56.1 on-reserve housing should be investigated.

c) Deterioration of Section 56.1 Units

Although Section 56.1 units are in better condition than other on-reserve dwellings, one-fifth are in need of major repair. This represents a high incidence of major repair need, given that these units are six years old or less. In contrast, only eight per cent of Section 56.1 units off reserves were found to be in need of major repair.

¹. The cost-effectiveness analysis was also conducted on the assumption that the useful life of Section 56.1 units was 50 per cent longer (i.e., 32.3 years). However, this did not alter the substance of the results reported here.

This evidence suggests that investigation of ways to halt the deterioration of Section 56.1 units is required. Analysis of the condition of housing components indicates that the rapid deterioration of Section 56.1 units is more likely attributable to environmental factors and construction techniques than to building design or occupant practices.¹ If more in-depth analysis confirms these findings, emphasis on investigation of technology to overcome adverse environmental factors (e.g. soil conditions, climate) and the encouragement of improved construction techniques would be appropriate.

3.2.2 Residential Rehabilitation Assistance Program

While RRAP has been successful in ameliorating on-reserve housing conditions, the program has had less success in achieving its objectives on reserves. This suggests that ways to improve the performance of the program should be considered.

a) Take-up of funds on Basis of Need

From a national perspective, RRAP was found to be well-targeted to individuals on the basis of need. The evaluation findings indicate, however, that RRAP is not taken up or utilized by bands on the basis of need. In particular, take-up by bands on the basis of need is very poor in Manitoba and Saskatchewan where the need for repair is significantly larger for bands not receiving RRAP than for bands which did receive RRAP funding.

Greater use of need for repair indicators as a basis for committing RRAP forgiveness would assist in directing renovation assistance to bands on the basis of need.

b) Increase Forgiveness Levels

The analysis indicated that RRAP did not achieve objectives concerning improved housing, health and safety, extension of useful life of dwellings and promotion of maintenance. A key findings is that, even after RRAP, houses still require an average of \$4,300 in renovation work if RRAP standards are to be achieved. In contrast, the average cost to upgrade deficient

1. Recent reviews by the Rural and Native Housing Group, CMHC, for the purpose of program improvement suggest that lack of project management skills and inadequate use of operating funds have contributed to the rapid deterioration of Section 56.1 units. Inadequate management and neglect of project maintenance would exacerbate problems arising from environmental factors or construction techniques.

RRAP units off reserves was \$630. For on-reserve units which have not previously received renovation assistance, an average of \$11,000 would be required to achieve RRAP standards. It is clear that RRAP forgiveness levels alone, which now vary from \$5,000 to \$8,250 depending on location, are insufficient to meet average renovation needs on reserves.

On reserves, RRAP forgiveness is often combined with the INAC renovation grant. In combination, these two sources would provide sufficient assistance to meet the average cost of reaching RRAP standards. However, there is no requirement to combine the funding sources to ensure that all the work needed to meet RRAP standards is carried out. In practice, the two funding sources are only combined in the worst cases of rehabilitation need. In such cases, even the combined assistance is usually insufficient to bring the units to RRAP standards.

One approach to the problem of partial rehabilitation on reserves would be to require the use of both funding sources where necessary to ensure that units will comply with standards. This would result in the achievement of standards for a large proportion of all on-reserve units in need of major repair. To meet the worst cases of rehabilitation need, however, larger maximum subsidies would have to be made available from one or both agencies. The difficulty with providing larger per unit subsidies from a given subsidy pool is that fewer households can benefit from the receipt of renovation assistance.

c) Encourage Repayable Loans

Another approach to address the problem of partial rehabilitation on reserves would be to encourage the use of RRAP repayable loans in cases where the RRAP forgiveness level, alone or in combination with the INAC renovation grant, is insufficient. The high incidence of welfare recipients on reserves should not restrict the use of RRAP repayable loans since INAC shelter allowances can be provided for loan repayment. For low income wage earners not on welfare, however, the ability to repay a rehabilitation loan is limited.

RRAP repayable loans amounted to only 2 per cent of RRAP commitment funds in 1984. This may be because RRAP is seen by bands and INAC primarily as a grant program. The use of RRAP as a loan program with shelter allowances to meet payments for welfare recipients has received little promotion in the field. Greater efforts to promote this aspect of RRAP could do much to prevent partial rehabilitation on reserves.

d) Extend RRAP Standards

The evaluation findings indicate that units which received RRAP funds for renovation work were generally in better physical condition upon completion of the work than units which received only the INAC renovation grant. RRAP units had fewer substandard items, were more likely to have basic amenities, had fewer health and safety hazards and had occupants who were more involved in housing matters and were more satisfied with their dwelling. Moreover, the superior performance of RRAP cannot be explained by the amount of subsidy provided. On a weighted average basis, RRAP forgiveness over the period 1979 to 1984 exceeded the average INAC renovation grant by only \$60 per unit.

These findings suggest that the use of RRAP standards for on-reserve renovation projects has resulted in superior performance. Extension of these standards to all subsidized renovation work should be considered.

3.2.3 Lending

While the insured and direct lending programs have been successful in achieving their objectives on reserves, there are two areas where changes could be considered.

a) The Need for Section 6 Loan Insurance

The evaluation considered the requirement for Section 6 loan insurance on reserves given that the INAC Ministerial Guarantee provides the basic security for the loan. In effect, current arrangements do not allow the mortgage insurance fund to be exposed once construction is completed. The need for Section 6 insurance on reserves seems to be based more on administrative requirements than the provision of a means of protection for lenders.

Removal of the requirements that Ministerial Guarantees can only be issued on NHA loans should be considered in a review of Indian housing policy and programs. This would reduce one source of coordination problems between INAC and CMHC in the delivery of on-reserve housing programs. Also, it would simplify matters for clients, since only one agency would be involved in the lending process. However, without Section 6 insurance and the associated CMHC inspections, an increased burden would be placed on INAC inspection services. Further, it would be necessary to gauge the reaction of private lenders to this proposal. A key reason for private lender involvement in the early years of the Section 56.1 program was the availability of Section 6 insurance in addition to the Ministerial Guarantee. This "double protection" and the involvement of CMHC

may have been a key factor in the increased participation of private lenders in Section 56.1 rental housing projects. Although lenders have now had considerable experience with on-reserve loans, and may be more confident about participating in the absence of CMHC involvement through Section 6, their reaction to the proposal should be sought.

b) Increased Private Lending to Individuals

The evaluation findings indicated that there is a potential to increase the participation of private lenders in the provision of capital financing to individuals. The volume of loans to individuals has been very low on reserves and most have been made by CMHC under Section 59¹. However, private sector lending has occurred in recent years in Quebec. Between 1982 and 1984, 38 approved lender loans were made in Quebec. Twenty-one of these loans were made in 1984 and accounted for one-third of all loans made to individuals on reserves.

It appears that private sector lending has been encouraged in Quebec by INAC staff who have worked with lending institutions to develop procedures, documentation and terms acceptable to both lender and borrower. To the extent that the experience in Quebec could be extended to other regions, private lender financing could further contribute to reduced government financial requirements for on-reserve housing.

Participation of the private sector in financing band non-profit projects reached 90 per cent of all units committed in 1984. Individual construction loans, like band loans, are backed by a Ministerial Guarantee and Section 6 insurance. To the extent that the same security is available to private lenders for loans to both bands and individuals, it would appear that greater participation could be encouraged for individual lending and the successful experience in Quebec could serve as a model for other regions.

3.2.4 Encourage Individual Involvement

Analysis of indicators of individual responsibility for, and involvement in, their housing indicates that increased involvement/responsibility may lead to better housing. Improved house conditions were found to be associated with individual involvement in the design and construction of one's house and responsibility for repairs.

1. Between 1979 and 1984, 285 loans were made to individuals for housing construction on reserves. CMHC direct loans accounted for 87 per cent of this total.

Since improved house condition extends the useful life of dwellings, thereby reducing the need for future government expenditures, a high priority should be placed on seeking ways to encourage individual involvement and responsibility. More emphasis on client involvement in the design stage and in the provision of sweat equity during construction could be considered along with greater client counselling on maintenance and repairs to their units.

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